

# Proposed CAIR FIP and Section 126 Response Signed August 1, 2005



Informational Meeting With STAPPA/ALAPCO  
August 11, 2005

# What Was EPA's Action?

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- ❑ Proposed a federal implementation plan (FIP):
  - provides a backstop to ensure emissions reductions required by the Clean Air Interstate Rule (CAIR) are achieved on schedule.
- ❑ Response to Section 126 petition:
  - Proposed to deny petition for sources in States not linked to NC under CAIR (all named ozone States, 2 named PM2.5 States)
  - For sources in 10 States linked to NC for PM2.5, EPA proposed
    1. To deny petition if EPA issues final FIP by the time of the final section 126 response, **or**
    2. To grant the petition if EPA does not issue the final FIP by that time
  - The Agency believes that emissions reductions required by CAIR will satisfy NC's petition.
- ❑ Proposed amendments to existing regulations also included to facilitate the implementation of CAIR.

# How Are States Affected?

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- Proposed FIP would establish federal emissions cap & trade programs for EGUs in DC and the 28 CAIR states (as well as DE & NJ for PM<sub>2.5</sub>, based on current proposal to include these states in CAIR for PM<sub>2.5</sub>).
- Trading programs cover SO<sub>2</sub> emissions, annual NO<sub>x</sub> emissions, and ozone season NO<sub>x</sub> emissions.
- Proposed FIP maintains states' flexibility in meeting CAIR requirements.
- EPA would withdraw FIP for any state once CAIR SIP is in place.

# FIP Timing

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- ❑ EPA issued national findings in March 05 that states failed to submit SIPs to address interstate transport by July 2000, as required by the CAA.
- ❑ This action triggered a two-year clock for EPA to issue a FIP to address the interstate transport.
- ❑ EPA intends to issue final FIP by March 15, 2006
- ❑ Revisions to SIPs to meet the requirements of CAIR are due to EPA by September 11, 2006
- ❑ Proposed FIP addresses NC's 126 petition and provides a method for States to develop plans to address interstate transport.
- ❑ Proposal allows time for States to submit & EPA to approve SIPs before EPA would take any steps to implement FIP that could impact a State's ability to regulate sources in a different manner.

# What Are State Flexibilities?

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- ❑ FIP proposal has option for abbreviated SIPs.
- ❑ State could start with the FIP and replace four elements to better meet the needs of the State.
  1. Provisions for non-EGUs to opt-in to the Federal trading programs,
  2. Allocating annual and/or ozone season NO<sub>x</sub> allowances to individual sources in the State,
  3. Allocating allowances from the annual NO<sub>x</sub> Compliance Supplement Pool (CSP) to individual sources in the State, and
  4. Including NO<sub>x</sub> SIP Call trading sources that are not EGUs under CAIR in the Federal CAIR ozone season NO<sub>x</sub> cap and trade program.
- ❑ No sanctions or penalties associated with FIP.
- ❑ State may prefer to avoid spending the time and money to submit a full SIP revision, and just replace or revise certain parts of the FIP.

# CAIR FIP relation to NC's Section 126 petition

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- ❑ NC's section 126 petition seeks reductions from the same types of sources and pollutants as proposed in the CAIR FIP.
- ❑ EPA is proposing Federal NO<sub>x</sub> and SO<sub>2</sub> cap and trade programs for EGU's to achieve the emissions reductions required for both the CAIR FIP and the section 126 response.
- ❑ The FIP trading programs are largely identical to the CAIR SIP model rules in the CAIR final rule, except EPA would play a larger role in implementing the rules.
  - ❑ Annual SO<sub>2</sub> program
  - ❑ Annual NO<sub>x</sub> program
  - ❑ Ozone season NO<sub>x</sub> program
- ❑ Trading programs for the CAIR FIP, response to NC section 126 petition, and CAIR SIPs would be integrated.
- ❑ Sources located in States governed by any of these programs could trade emissions allowances with each other.